

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

- *BABA/TENCNT 27-35s tightened 1-2bps this morning. HYNMTRs were under better selling and closed unchanged to 2bps wider amid new issues. NWDEVLs were unchanged to 0.7pt higher.*
- *AACTEC: Strong FY24 results with solid revenue and profit growth, as well as margin expansion. AACTECs down 0.1-0.2pts this morning. See below.*
- *CPDEV: Beijing Capital Group accepted USD386.8mn of CPDEV 3.85 07/14/25 for purchase under the tender offer. The o/s amount lowered to USD63.2mn. CPDEV 25-26s were 0.2-0.3pts lower this morning.*

❖ Trading desk comments 交易台市场观点

Last Friday, the new BBLTB 40s closed 1bp wider amid two way flows among PBs/FMs. Meanwhile in financials, BCLMHK/HSBC/CBAU/SUMITR/NOMURA/WSTP/DBS/HYNMTR Float 27-31s closed 1-2bps tighter. SUMITR/SUMIBK 28-35s tightened 1-3bps. In JP insurance hybrids, MYLIFE 54-55s/FUKOKU Perp were up 0.1pt. In EU AT1s, Deutsche Bank decided to call DB 7.5 Perp but not to call DB 4.789 Perp. The coupon of DB 4.789 Perp would be reset to CT5+4.358 (c8.47%) on 30 Apr '25. DB 7.5 Perp and DB 4.789 Perp rose 0.1pt and 0.3pt respectively. BACR/LLOYDS/INTNED Perps declined 0.2-0.4pt. In Chinese IGs, the long end of TENCNTs were unchanged to 3bps tighter. See our comments on Tencent's FY24 results on [21 Mar '25](#). MEITUA 28-30s were unchanged to 1bp tighter. In Chinese properties, YUEXIUS/CHIOLI 28s closed 0.1-0.2pt higher. In HK, NWDEVL Perps/27-31s dropped 0.2-1.2pts. CKINF/CKPH Perps declined another 0.3-0.7pt and closed 2.6-4.2pts lower WoW. In India, the new GRNKEN 7.25 '28 was 0.2pt lower from RO at par, the rest of GRNKENS were unchanged. ADSEZs/ARENJRs/ADGREGs were down 0.1-0.5pt.

The flows in LGFV were mixed two-way. We saw some tactical holders took profit on in-the-money positions to switch to higher yielding new issues. CPDEV announced tender offer results on CPDEV 3.85 '25 and reduced the o/s amount to cUSD63.2mn. CPDEV/ZHHFGR 25s were up 0.1pt. SDECID/BCDHGR 26s increased 0.2pt. In SOE perps, CHSCOI/CHPWCN/CHCOMU Perps were up 0.1-0.2pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
GUAMET 2.31 09/17/30	88.2	0.4	CCAMCL 5 02/08/48	89.8	-1.2
SDECDI 2.4 06/03/26	96.4	0.3	NWDEVL 4 1/8 PERP	45.0	-1.2
TAISEM 2 1/4 04/23/31	87.9	0.3	CHGRID 4 05/04/47	88.8	-0.9
BCDHGR 3 1/4 07/15/26	96.6	0.2	MUFG 4.7 03/10/44	93.2	-0.9
EXIMCH 4 11/28/47	88.3	0.2	NWDEVL 4 1/2 05/19/30	61.1	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.08%), Dow (+0.08%) and Nasdaq (+0.52%) were higher on last Friday. UST yield steepened on last Friday, 2/5/10/30 yield at 3.94%/4.00%/4.25%/4.59%.

❖ Desk Analyst Comments 分析员市场观点

➤ **AAC TEC: Strong FY24 results with solid revenue and profit growth, as well as margin expansion.**

AAC Technologies (AAC Tech) released strong FY24 results with notably higher profit and margin expansion, in line with the positive profit alert issued in mid-Feb'25. We maintain our buy recommendations on AAC TECs. The current valuations of AAC TECs are less appealing in view of good performance of AAC TECs, moved 0.7-2.2pts higher YTD and 7-12pts higher in 2024. That said, we continue to view AAC TECs good carry plays and offering better risk-return profiles than peers such as SUNOTG 5.95 07/17/26 (Moody's: Baa1, YTM of 4.7%/Z-spread of 73bps). Additionally, we also believe that AAC TECs are candidates for early redemptions through repurchases and tender offers and these should support the performance of AAC TECs.

Table 1: Bond profile of AAC TEC

Security Name	ISIN	Amt o/s (USD mn)	Ask px	YTM	Z-spread (bps)	Issue rating (M/S/F)
AAC TEC 2 % 06/02/26	XS2341038656	231.3	97.2	5.1%	108	Baa3/-/-
AAC TEC 3 % 06/02/31	XS2342248593	292.1	91.5	5.4%	160	Baa3/-/-

Source: Bloomberg.

In FY24, AAC Tech's revenue increased 34% to RMB27.3bn, thanks to the consolidation of PSS, as well as the solid growth of other segments except sensor and semiconductor products (SSE). The segment was under product strategy adjustment shifting to higher-end products with lower revenue but higher margin. The revenue excl. PSS increased 17% yoy to RMB23.8bn, driven by rebound in demand in global smartphone market and the growth of electromagnetic drives (ED) and precision mechanic (PM). AAC Tech's gross profit margin (GPM) improved to 22.1% in FY24 from 16.9% in FY23 given the improvement of product mix and enhanced efficiency in production and operations. The GPM of all segments expanded yoy with GPM of optics products turned to positive. In FY24, AAC Tech's EBITDA increased 33% yoy to RMB5.6bn.

We expect the strong performance of AAC Tech to continue in FY25 with upgrades in AI smartphones, AI glasses, AT devices and penetration of automotive audio (PSS) and optics. AAC Tech guided revenue growth at 10-15% yoy in FY25, in which: (1) acoustics: low-to-mid single-digit with GPM above 30%; (2) ED: mid-to-high teens growth with GPM above 30%, (3) PM: 18-20% yoy growth with GPM at high double-digit; (4) optics: mid-to-high teens growth with stable GPM; and (5) sensor and semiconductor: 30-50% yoy growth with GPM at mid-to-high double-digit.

AAC Tech's operating cash flow increased by 12% to RMB5.2bn, supported by higher revenue and shorter cash conversion cycle to 52 days in FY24 from 87 days in FY23. The inventory turnover days shortened 20

days to 60 days while trade payable days lengthened 16 days to 95 days. Meanwhile, AAC Tech's capex increased 52% to RMB2.1bn for the modifications and upgrades as well as capacity expansion. We expect that AAC Tech continues to fund the capex with operating cash inflows while maintaining its current liquidity position. As of Dec'24, it had cash and cash equivalents of RMB7.5bn, increased 10.5% from RMB6.8bn as of Dec'23, and its total debt/EBITDA improved to 1.9x in FY24 from 2.3x in FY23.

We consider AAC Tech's credit profile solid for current rating (rated Baa3 by Moody's). We believe that AAC Tech's improving profitability and manageable refinancing requirements could trigger positive actions by Moody's in the near-term. As per our estimates, the adjusted EBITA margin of AAC Tech was 10.3% in FY24 and total debt/adjusted EBITDA was 1.9x as of Dec'24, compared with the Moody's upgrade trigger of adjusted EBITA margin at or above a high single-digit percentage and total debt/adjusted EBITDA below 2.5x on a sustained basis.

Table 2: AAC Tech's key financials

RMB mn	FY23	FY24	Change
Revenue	20,419	27,328	33.8%
- Acoustic products	7,499	8,214	9.5%
- Electromagnetic drives and precision mechanics	8,245	9,710	17.8%
- Optics products	3,627	5,000	37.9%
- PSS - automotive & consumer acoustics products	22	3,516	16084.7%
- Sensor and semiconductor products	1,025	773	-24.6%
- Other products	1	115	10799.8%
Gross profit	3,452	6,042	75.1%
EBITDA	4,183	5,553	32.8%
Net profit	571	1,764	209.1%
Operating cash flow	4,633	5,203	12.3%
Capex	1,364	2,071	51.8%
Gross profit margin	16.9%	22.1%	5.2 pct pt
- Acoustic products	28.4%	30.2%	1.8 pct pt
- Electromagnetic drives and precision mechanics	20.1%	23.3%	3.2 pct pt
- Optics products	-13.0%	6.5%	19.5 pct pt
- PSS - automotive & consumer acoustics products	-	24.8%	-
- Sensor and semiconductor products	13.6%	15.6%	2.0 pct pt
EBITDA margin	20.5%	20.3%	-0.2 pct pt
Net profit margin	2.8%	6.5%	3.7 pct pt
	Dec'23	Dec'24	Change
Cash and cash equivalent	6,825	7,538	10.5%
ST debts	3,811	2,217	-41.8%
LT debts	5,769	8,238	42.8%
Total debts	9,580	10,455	9.1%
Net debt	2,755	2,916	5.8%
Total debt/EBITDA	2.3x	1.9x	-
Cash/ST debts	1.8x	3.4x	-

Source: Company filling, CMBI Research.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
AVIC International Leasing	USD	-	3yr/ 5yr	T+110/ SOFR+135	-/-/A-
Fujian Jinshang Holding Group	USD	-	3yr	6.3%	Unrated
Hanrui Overseas Investment Co/ Jiangsu Hanrui Investment Holdings	USD	-	3yr	6.3%	Unrated
Hyundai Capital	USD	-	2yr/ 2yr/ 5yr/ 5yr/ 7yr	T+110/ SOFR Equiv/ T+135/ SOFR Equiv/ T+145	A3/A-/A-
			3yr/ 3yr/ 5yr	T+95/ SOFR Equiv/ T+105	
			10yr	T+135	
			5yr	T+130	
Korea National Oil Corporation	USD	-	3yr/ 5yr	SOFR Equiv/ T+105	Aa2/AA/-
Marubeni Corporation	USD	-	10yr	T+135	Baa1/BBB+/-
SMBC Aviation Capital Finance	USD	500	5yr	T+130	-/A-/BBB+
Zhengzhou Jinshui Holding Group	USD	-	3yr	7.5%	Unrated

➤ **News and market color**

- Regarding onshore primary issuances, there were 124 credit bonds issued on last Friday with an amount of RMB102bn. As for month-to-date, 1,538 credit bonds were issued with a total amount of RMB1,239bn raised, representing a 21.3% yoy decrease
- Korean lawmakers to draft bill to offer direct subsidies to battery makers
- **[IHFLIN]** Moody's changed the outlook of Sammaan Capital to positive from stable on an expectation the company will continue to reduce its legacy assets and improve its overall asset quality, B2 rating affirmed
- **[LASUDE]** Lai Sun Development 1HFY25 adjusted EBITDA declines 4.9% yoy to HKD494mn (cUSD64mn)
- **[LVGEM]** LVGEM terminates consent solicitation on three guaranteed bonds
- **[ROADKG]** Road King Infrastructure revenue slumps 57.7% yoy in FY24 to HKD5.5bn (cUSD713mn)
- **[SHUION]** Shui On consortium seeks USD396mn-equivalent loan for Shanghai office complex facility refinancing
- **[SINOPE]** Sinopec FY24 revenue declines 4.3% yoy to RMB3.1tn (cUSD424bn)

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